

### Statement of Considerations

Class Waiver of the Government's Patent Rights in Inventions Made by Employees of Institutes of the New Independent States (NIS) of the Former Soviet Union (FSU) in the Course of or under Agreements Entered into Pursuant to the Fiscal Year 1994 Foreign Operations Appropriations Act (P.L. 103-87); W(C) 94-010

The dissolution of the Soviet Union and the drastic reductions in defense spending by the NIS have created an extremely difficult situation for the scientists and engineers who are responsible for the former Soviet Union's defense technology base. It is estimated that there are several tens of thousands of such scientists and engineers; they possess critical technical knowledge about weapons of mass destruction and are underemployed and underpaid, and consequently, could contribute to weapons proliferation.

Consequently, President Clinton signed the Fiscal Year 1994 Foreign Operations Appropriations Act (P.L. 103-87) on September 30, 1993. Section 575 of the Act contains provisions to establish a "program of cooperation between scientific and engineering institutes in the New Independent States of the Former Soviet Union and national laboratories and other qualified academic institutes in the United States. . . ." The Act appropriates \$35M for partnerships involving U.S. industry, universities, DOE National Laboratories and key NIS institutes "designed to stabilize the technology base in the cooperating states," and "that prevent and reduce proliferation of weapons of mass destruction." It is anticipated that funding may be appropriated in future fiscal years for additional partnerships.

The Act divides the \$35M program into three distinct phases - laboratory-to-institute phase, technology risk-shared phase and academic support. The goal of the laboratory-to-institute phase is to have DOE National Laboratories enter into subcontracts with NIS institutes as quickly as possible to encourage the transition from defense to commercial activities at the NIS institutes. Recent and current interactions between the DOE National Laboratories and the NIS institutes have identified many opportunities for productive, mutually beneficial cooperations. The laboratory-to-institute projects, which can be initiated immediately through subcontracts, will also identify further projects to be pursued through the technology risk-shared phase of the Act.

The goal of the technology risk-shared phase is to encourage the commercialization of NIS technologies through U.S. industry and to promote the development of a market-oriented economy in the NIS. It is contemplated that a number of cost-shared, international, industrial projects will be conducted with each project involving at least one DOE National Laboratory, at least one NIS institute, and at least one member company of the United

States Industry Coalition (USIC) for the purpose of bringing the NIS technologies to commercial utilization. The USIC is a consortium of U.S. companies formed specifically for the purpose of participating in this program, and it is anticipated that the USIC member companies will participate through Cooperative Research and Development Agreements (CRADAs) with the DOE National Laboratories. The DOE National Laboratories will involve the NIS institutes in this phase by subcontracting part of the DOE National Laboratories' CRADA work to the NIS institutes.

The benefits of this proposed program to the U.S. are a reduction in the threat of weapons proliferation and enhancement of U.S. industrial competitiveness. Employing weapons scientists and engineers in commercial R&D activities reduces the threat of weapons proliferation. U.S. competitiveness is enhanced by access to new technology and by opening new markets to U.S. industry. NIS institutes' technology provides U.S. industry opportunities for product enhancement, product development, and production process improvement. Implementation of this waiver will help stabilize the deterioration of the NIS scientific community, reduce concerns about proliferation of technologies related to weapons, and encourage U.S. commercial relationships with NIS institutes.

With the overall goals of encouraging the transition of the NIS institutes from defense to commercial activities and commercializing NIS technologies through U.S. industry, and in accordance with the authority of Section 152 of the Atomic Energy Act of 1954, as amended (42 U.S.C. 2182), and Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908), it is believed to be in the best interest of the United States and the general public to grant a Class Waiver of inventions made by employees of the NIS institutes under subcontracts between the NIS institutes and the DOE National Laboratories in this program.

The scope of this class waiver is directed to the class of inventions made by employees of the NIS institutes under subcontracts with the DOE National Laboratories under both the laboratory-to-institute and technology risk-shared phases of the program and any additional follow-on phases for which future appropriations are provided. More specifically, rights in the NIS countries to those inventions are waived to either the NIS institute employees who make the inventions, or to the NIS institutes whose employees make the inventions.<sup>1</sup> Rights to

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<sup>1</sup> The decision as to whether the NIS employee who makes the invention or the NIS institute whose employee makes the invention obtains the invention rights is to be left to the NIS institute.

those inventions in the U.S. and non-NIS countries are waived to the DOE National Laboratories.

A previous class waiver, entitled "Class Waiver of the Government's Patent Rights in the New Independent States (NIS) of the Former Soviet Union for Inventions made by NIS institutes' employees in the course of or under agreements entered into pursuant to the Fiscal Year 1994 Foreign Operations Appropriations Act (P.L. 103-87)," was granted on February 24, 1994. The scope of that class waiver was limited to subject inventions made by employees of the NIS institutes during the laboratory-to-institute phase of the program. The present class waiver covers those inventions, has been expanded to also include subject inventions made by employees of the NIS institutes during the technology risk-shared phase of the program, and takes precedence over the previous class waiver. The previous class waiver has never taken effect because no subcontracts have been entered into under the laboratory-to-institute phase of the program.

A class waiver of the scope described herein will promote the commercial utilization of NIS institutes' subject inventions arising under the laboratory-to-institute and technology risk-shared phases in accordance with the Act, by waiving the invention rights in the NIS countries from the Government to the interested NIS institutes, which makes the benefits of the laboratory-to-institute and technology risk-shared phases widely available to the NIS in the shortest practicable time. Waiving the NIS employee inventions in the U.S. and non-NIS countries to the DOE National Laboratories also ensures the timely commercialization of the inventions in those countries. The class waiver also encourages participation in the laboratory-to-institute and technology risk-shared phases by providing assurance that statutory Government ownership of inventions will not inhibit commercialization plans. Also, a major purpose of the Act is to accelerate the transition of defense related institutes to commercial applications institutes, and grant of this class waiver should serve to facilitate the intended commercial use of the subject inventions by leaving NIS institutes' subject invention rights in the NIS countries with the institutes. Thus, the statutory objectives of DOE's patent waiver policy are being met.

This waiver of the Government's rights in the U.S. and non-NIS countries to the DOE National Laboratories in inventions of the NIS institute employees is conditioned on the DOE National Laboratory providing to its USIC member partner in the technology risk-shared phase of the program at least a royalty-free, non-exclusive, field of use license required to practice the technology of the USIC member's agreement by the USIC member partner in the U.S. and non-NIS countries for its own use in any

NIS institute inventions made under either the laboratory-to-institute or technology risk-shared phases of the program.

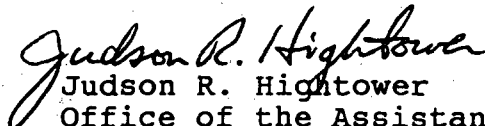
This waiver of the Government's rights to the DOE National Laboratories of inventions of the NIS institute employees is also conditioned on the DOE National Laboratories treating such inventions in accordance with the technology transfer clauses in their Management and Operating contracts with DOE, except for the field of use licenses to their USIC member partners mentioned in the preceding paragraph.

This waiver of the Government's rights to the DOE National Laboratories of inventions of the NIS institute employees is further conditioned on the DOE National Laboratories agreeing to share with the NIS institutes fifty percent (50%) of the net income received from the National Laboratories licensing any inventions made under either the laboratory-to-institute or technology risk-shared phase of the proposed program to which the National Laboratories retain title. This commitment to share royalties ensures that the NIS institutes obtain some return in exchange for their invention rights being waived.

This waiver of the Government's rights in inventions as set forth herein is subject to the Government's retention of: (1) a nonexclusive, nontransferable, irrevocable, paid-up license to practice or to have practiced for or on behalf of the United States the waived inventions throughout the world, and (2) march-in rights as set out in 35 USC 203.

Grant of this class waiver should not result in adverse effects on competition or market concentration since the Act is directed to a multiplicity of projects, each of which is generally directed to facilitating commercial development of new technologies. Grant of invention rights under this class waiver should enhance competition by encouraging development of new or improved technologies, rather than serving to concentrate markets.

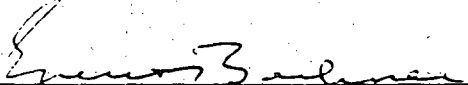
Accordingly, in view of the statutory objectives of DOE waiver policy, and the objectives of the Foreign Operations Appropriations Act, and in view of the factors to be considered under DOE's statutory patent waiver policy, all of which have been considered, it is recommended that this class waiver will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

  
Judson R. Hightower

Office of the Assistant General  
Counsel for Technology Transfer  
and Intellectual Property

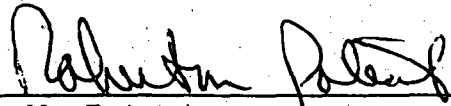
Based on the foregoing Statement of Considerations, it is determined that the interests of the United States and the general public will best be served by a waiver of patent rights in inventions made by NIS institutes' employees under subcontracts with the DOE National Laboratories under both the laboratory-to-institute and technology risk-shared phases of the program as set forth herein and, therefore, the waiver is granted. Except for Class Patent Waiver W(C) 94-001 as discussed herein, this waiver shall not affect any other waiver previously granted.

CONCURRENCE:

  
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Date: 8/19/94

APPROVED:

  
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Date: 9/21/94

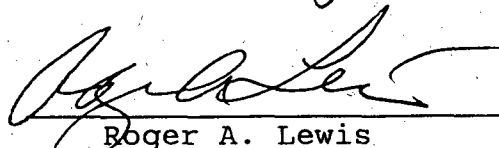
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JUSTIFICATION FOR NOT REQUIRING SUBSTANTIAL  
U.S. MANUFACTURE IN CLASS WAIVER OF NIS INSTITUTE  
INVENTIONS TO DOE'S LABORATORIES  
CLASS WAIVER NO. W(C) 94-010

The above-identified class waiver is directed to inventions made by employees of institutes in the New Independent States (NIS) of the Former Soviet Union (FSU) under subcontracts with DOE's laboratories participating in the Industrial Partnering Program (IPP) authorized by Section 575 of the Foreign Operations Appropriations Act of 1994 (Act). Under the waiver, rights to those inventions in the NIS countries are waived to the NIS institute subcontractor and rights to those inventions in the U.S. and non-NIS countries are waived to the participating laboratory.

The waiver does not require that products covered by the waived inventions be substantially manufactured in the U.S. The Act encourages cooperation between the DOE laboratories and the NIS institutes in order to "stabilize the technology base in the cooperating states as each strives to convert defense industries to civilian applications." It is anticipated that, as part of the conversion from defense industries to civilian applications, new manufacturing facilities will be created in the NIS to manufacture products covered by NIS institute inventions arising under the IPP. These facilities may be created by NIS entities or member companies of the United States Industry Coalition (USIC), an organization of U.S. companies created to participate in the IPP and to interact with the institutes in the NIS in order to facilitate the commercialization of NIS technologies. Thus, the IPP supports the creation of manufacturing facilities in the NIS countries by entities (including U.S. companies). It is believed that limiting manufacture in the U.S. or limiting the export of manufactured products from the NIS countries may have a adverse impact on the IPP. For this reason substantial U.S. manufacture was not made a condition of the class waiver.

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